

# Interactive Effect of Perceived Value and Service Quality on Banking Customers' Satisfaction and Loyalty in Pakistan

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**Abstract.** Securing customer loyalty is vital for long-term success in the cut-throat banking sector. This research delved into the intricate dynamics of customer loyalty, exploring how perceived value and customer satisfaction intersect, with service quality playing a pivotal moderating role. A comprehensive survey of 277 banking customers in Larkana, Sindh province, revealed that perceived value is a significant predictor of loyalty, with satisfaction as a mediator. Furthermore, exceptional service quality amplifies the impact of perceived value on customer satisfaction. The indirect link between perceived value and loyalty is more pronounced when service quality is high. These findings offer actionable insights for banking executives to recalibrate their strategies, cultivating unwavering customer loyalty and trust in their services – a critical imperative in the post-covid era, where adapting to the new normal demands a resilient and sustainable presence in the market.

**Key words:** perceived value, service quality, customer satisfaction, customer loyalty

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## 1 Introduction

Customer switching behavior is a significant concern for many financial institutions, including the banking sector (Mosavi and Gunawan, 2024; Senanu and Narteh, 2023). Evolving landscape of customer service expectations has prompted managers to develop innovative approaches to gain a lasting competitive edge by identifying, engaging, and retaining valuable customers, fostering long-term relationships, and driving business growth (Carrillat et al., 2009; Karim et al., 2023). Banks have undergone substantial transformations to deliver exceptional service, fostering customer satisfaction and loyalty. Loyal customers generate consistent revenue and reduce marketing and operational costs, creating a sustainable competitive advantage (del Olmo-García et al., 2023). Retail banks are expected to build strong customer relationships, as loyal new customers could also help them raise their customer base through testimonials (Keshavarz and Jamshidi, 2018). Customer satisfaction, perceived value, and behavioral intentions

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strongly connect with service quality. However, customer loyalty cannot be taken for granted in the cut-throat competition among commercial banks. Therefore, the factors likely to predict and influence customer loyalty are of interest to marketing managers in general and bankers in specific (Fida et al., 2020; Upamannu et al., 2023).

Prior literature has explained some linkages between service quality and value. Despite its significance, the role of service quality in influencing the relationships between customer-perceived value, satisfaction, and loyalty has been overlooked (Carrillat et al., 2009). While research on perceived value has been explored in various industries, the banking sector remains understudied, particularly in developing countries like Pakistan (Keshavarz and Jamshidi, 2018). Therefore, investigating the conditional impact of perceived value on customer satisfaction and loyalty, contingent on service quality, is a crucial research gap to address (Yesitadewi and Widodo, 2024).

Customers are more knowledgeable and pay massive attention to value in emerging markets, which influences their behavior (Yesitadewi and Widodo, 2024). Globally, businesses are focused on creating and delivering exceptional customer value. The banking industry must prioritize understanding and offering products and services that align with customers' perceived value, meeting their needs and expectations to drive satisfaction, loyalty, and long-term success (Roig et al., 2006). This concept has gained significant attention among researchers and organizations as a competitive tool. The customer perceived value may depend on other factors comprising service innovation, sophistication in the supply chain, and product extension; hence, it is considered a dependent variable (Evans and Wurster, 1997; Pooya et al., 2020).

Given the autonomous nature of customer perceived value, this study posits it as an independent variable influencing crucial marketing outcomes like customer satisfaction and loyalty (Yesitadewi and Widodo, 2024). When customers receive high-quality products or services that meet their value expectations, they experience satisfaction and loyalty. However, the interplay between perceived value, satisfaction, and loyalty is likely moderated by service quality, suggesting that excellent service can amplify the positive effects of perceived value on customer satisfaction and loyalty and this proposition has been empirically investigated in this study.

## 2 Literature Review and Hypotheses

### 2.1 Social Exchange Theory

Social exchange theory is a comprehensive framework that seeks to explain how social interactions, relationships, and networks are formed, sustained, and terminated (Cook et al., 2013). This theory argues that social relationships develop through an interdependent and dynamic exchange process in which people interact and negotiate mutual benefits with a sense of reciprocity. It posits that humans build relationships and pursue social connections that offer them the most incredible benefits with minimum costs. This give-and-take approach forms social bonds and influences the behavior of individuals involved (Lee et al., 2014; Mitchell et al., 2021). Social exchange theory suggests that positive experiences create positive emotions and foster loyalty. This is true with experiences related to products, services, and brands. One good encounter promotes loyalty, while a negative experience can undermine loyalty (Hart, 1999).

Customer loyalty promotes repeat business and purchase intentions (Fida et al., 2020). It is a vital treasure for businesses. Repeated customers bring long-term revenue, positive word-of-mouth, and a competitive edge, making them crucial to a firm's success and growth. Loyal customers can attract new customers and reduce the costs associated with acquiring new ones

(Levy and Hino, 2016). However, customers who continue to buy from a company simply because they lack practical alternatives show less loyalty (Makanyeza and Chikazhe, 2017). Such customers may switch to other providers if they realize accessible options are available. In contrast, customers may continue to purchase from their current service providers if they are satisfied and favor their products or services (Oliver, 1999).

Satisfied customers develop loyalty and trust towards the service provider, leading to a greater willingness to recommend the service to others (Gustafsson et al., 2005). Customer loyalty determines the success of a business (Reichheld and Teal, 1996). Loyal customers not only retain their business but also advocate for the brand, driving growth and profitability (Sweeney et al., 2020). To thrive, businesses must build strong customer relationships, fostering loyalty and retention (Hidayat and Idrus, 2023). Excellent service experiences create emotional connections, leading to loyalty and long-term relationships (Guo et al., 2022). Customer loyalty is a critical factor in business success, and firms must focus on building and maintaining strong customer relationships to drive growth and profitability. By understanding the importance of customer loyalty and its key drivers, firms can develop effective strategies to cultivate and retain loyal customer bases, ultimately leading to sustained success.

## 2.2 Perceived Value and Customer Loyalty Linkage

According to relationship marketing literature, prioritizing consumer value is crucial to effectively serving customers (Christopher et al., 2013). The customer-perceived value represents the degree to which a product or service meets a customer's expectations, measured by the benefits they derive from it compared to their anticipated benefits, influencing their satisfaction and loyalty (Zeithaml and Parasuraman, 2004). Companies could provide consumers with more value by offering them more perks and lower costs to establish and maintain a competitive edge through customer retention (Christopher et al., 2013; Mattila and Wirtz, 2008). Businesses can generate customer-perceived value by delivering exceptional products or services, streamlining customer interactions through efficient and responsive support, fostering meaningful connections with customers, enhancing their overall experience, and encouraging loyalty (Hidayat and Idrus, 2023).

Even though customer perceived value affects decision-making (Parasuraman and Grewal (2000), influences customers' happiness and actions after the purchase process (Oliver, 1999). Customer perceived value represents the net benefit derived from a product or service, calculated by subtracting the costs (both monetary and non-monetary) from the total benefits, including those offered by alternative options (Kotler, 2011). This value exchange involves a mutually beneficial transaction, where the customer gains from the product or service, and the business profits from the sale (Javeed et al., 2020). A high perceived value fosters repeat purchases, driven by customer satisfaction and loyalty (Ishaq (2012), which is essential for a company's sustained growth and success (East and Wright, 2004). Perceived value favors customer retention and loyalty in tourist sector research (El-Adly, 2019). The visitors who perceive the high value of hotel service feel loyal and want to revisit (Rasoolimanesh et al., 2023). Another study showed that value congruity impacts customers' loyalty and brand commitment. The perceived value is the most significant indicator of consumer patronage (Rather, 2018). The perceived value eliminates the requirement to find other service providers, resulting in client loyalty (Rather, 2018). This loyalty can lead to positive word-of-mouth, a powerful marketing tool for businesses (Troiville, 2024; Upamannyu et al., 2023).

The above insights indicate a positive correlation between customer-perceived value and

loyalty [Menidjel and Bilgihan \(2023\)](#), a notion supported by numerous studies demonstrating a direct link between the two ([Parasuraman and Grewal, 2000](#); [Yesitadewi and Widodo, 2024](#)). By delivering exceptional value, businesses can foster robust relationships, retain customers, and drive growth and profitability ([Hidayat and Idrus, 2023](#); [Parasuraman and Grewal, 2000](#)). Hence, we proposed that:

*H<sub>1</sub>. The value perception of customers is positively linked to customer loyalty.*

### 2.3 Mediating Role of Customer Satisfaction

Customer satisfaction is a crucial factor in the growth and sustainability of service-oriented companies ([Cheshin et al., 2018](#)). It includes the positive emotions and assessments of consumers following their purchase and usage of a product or service, constituting a comprehensive evaluation of their consumption experience ([Özkan, 2022](#)). Customer satisfaction can be seen as the extent to which a company's offerings align with customer expectations, closing the gap between anticipation and reality ([Ong et al., 2020](#)). Customer happiness is closely tied to service performance ([Boonlertvanich, 2019](#)). Positive reinforcement can lead to a strong connection when a product or service exceeds expected performance. However, if performance falls short, disconfirmation occurs, potentially resulting in negative word-of-mouth and lost referrals ([Jamal and Naser, 2002](#)).

Customer satisfaction helps win customer loyalty ([Evanschitzky et al., 2022](#)). It is crucial in building long-term customer relationships ([Hidayat and Idrus, 2023](#)). However, in designing and implementing corporate strategies, customer value cannot be overlooked ([Naumann et al., 2010](#)). A higher perceived value improves loyalty and customer retention ([Rather, 2018](#)). Perceived value indirectly influences behavioral intention in the presence of satisfaction. Satisfaction mediates between perceived value and loyalty. A positive perceived value directly impacts customer satisfaction and repurchase intentions, increasing customer loyalty and retention [Rather \(2018\)](#), while literature also suggests that satisfaction affects perceived value ([Evan-schitzky et al., 2022](#)). In either case, customer loyalty is not guaranteed [Rather \(2018\)](#), indicating a need to research the mechanism and conditions that may promote it. Customer satisfaction is a crucial mediator in the relationship between perceived value and customer loyalty, as perceived value directly influences customer satisfaction, which positively impacts customer loyalty. This hypothesis is supported by existing research, which consistently shows a strong positive correlation between perceived value, customer satisfaction, and loyalty, highlighting the critical role of customer satisfaction in translating perceived value into loyal customer behavior ([Nau-mann et al., 2010](#); [Parasuraman and Grewal, 2000](#)). By delivering exceptional customer value, businesses can foster strong relationships, retain customers, and drive growth and profitability ([Hidayat and Idrus, 2023](#); [Reichheld and Teal, 1996](#)). Additionally, customer satisfaction encourages positive word-of-mouth and online reviews, attracting new customers and increasing business revenue ([Jamal and Naser, 2002](#); [Troiville, 2024](#); [Upamannyu et al., 2023](#)). Accordingly, we hypothesized that:

*H<sub>2</sub>: Customer satisfaction mediates the link between perceived value and customer loyalty*

### 2.4 Moderating Role of Service Quality

Service quality plays a vital role in shaping customer satisfaction, as it directly impacts how customers perceive and evaluate their experiences with a company, influencing their overall satisfaction and loyalty ([Anderson and Sullivan, 1993](#)). Building a strong relationship between

banks and customers fosters loyalty, giving the bank a competitive edge (Berry, 1999). Service quality has garnered considerable attention from researchers and practitioners Punyani and Sharma (2018), as it is widely recognized as a critical factor in driving business performance. Numerous studies have consistently demonstrated a strong positive correlation between service quality and customer satisfaction (Agus et al., 2019; Ali and Raza, 2017; Khan et al., 2019; Zameer et al., 2015). Service quality is a complex and multifaceted concept, encompassing key dimensions such as reliability, tangibles, responsiveness, empathy, and assurance, significantly impacting customer loyalty (Jabnoun and Hassan Al-Tamimi, 2003).

The banking industry is subject to various external factors, such as technology, infrastructure, rules, and regulations, significantly impacting its operations. In response, banks are implementing structural changes to enhance service quality and customer satisfaction (Agus et al., 2019). Although service quality and customer satisfaction are widely researched Naik et al. (2010); Yee et al. (2011), has gotten less attention. It is important to examine how service quality moderates the relationship of customer-perceived value with customer satisfaction (Lai and Lin, 2015). A high level of service quality can boost customer satisfaction, mainly when customers perceive a product or service as highly valuable. Thus, service quality can be a significant driver of customer satisfaction by reinforcing the customer's perceived value of products or services. Therefore, firms seeking business growth and competitiveness must deliver high-quality products and services (Hidayat and Idrus, 2023). Service quality is critical in shaping customer satisfaction, and its impact should not be underestimated (Berry, 1999). Therefore, we hypothesize that:

*H<sub>3</sub>: The association between customer perceived value and customer satisfaction is moderated by service quality, so customer satisfaction is higher with higher levels of service quality.*

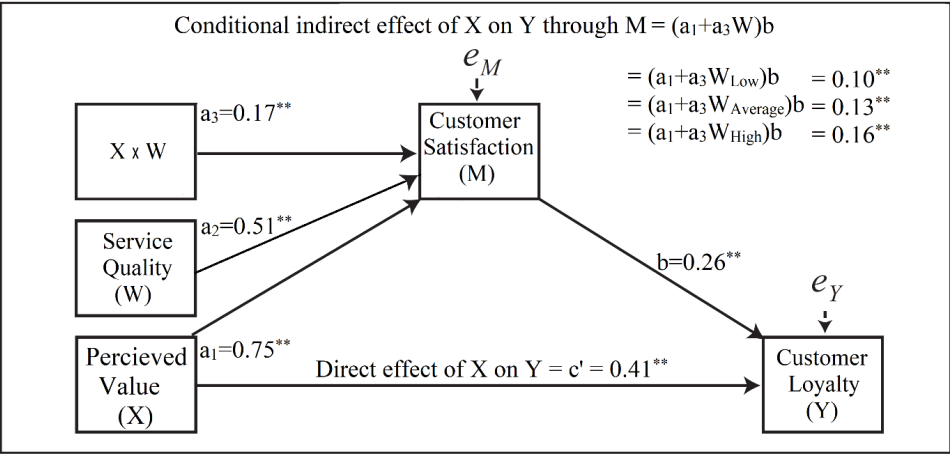


Figure 1: Conceptual Model

## 3 Method

### 3.1 Context, Procedure, and Participants

We conducted a cross-sectional study using a paper-based survey among volunteer banking customers in the Larkana district of Sindh province, Pakistan. The study aimed to gather data from a representative sample of banking customers in the region, providing valuable insights into their perceptions and experiences. To avoid possible response biases resulting from an over-the-counter recent service experience, we did not ask the customers exiting the bank branch to participate in our survey. Instead, we approached them at their residences and workplaces to capture their general experiences on the study variable. We engaged 15 volunteer undergraduate students from a local university as survey assistants, providing them with comprehensive training to ensure their proficiency in collecting data from banking customers in the Larkana district. This collaboration enabled us to expand our reach and gather valuable insights from various respondents. The survey was concluded with 277 valid responses. The survey respondents were male (89.3%) and female (10.7%), representing different age groups (25-30 years=53.7%, 31-40 years=30%, 41 and above years=17.4%). Most participants reported being well educated (secondary level=6.9%, undergraduates=45.8%, postgraduate and above=46.6%), belonging to different occupations, and availing services of various banks in the Larkana district.

### 3.2 Measures

Data in this study was collected using existing reliable measures in English (Appendix A). The survey assistants clarified complex terminologies for the participants in case of confusion. The survey questionnaire contained questions on demographic characteristics: age, education, gender, and income and items measuring the study variables on a 5-point scale (1=strongly disagree to 5=strongly agree). The independent variable 'perceived value' (CR=0.90, Cronbach's alpha/ $\alpha$ =0.85) was measured using four items (Özkan, 2022). The dependent variable 'customer loyalty' (CR=0.81, Cronbach's alpha/ $\alpha$ =0.88) was measured using four items (Kaura et al., 2015; Leverin and Liljander, 2006; Rashid et al., 2019). The mediating variable 'customer satisfaction' (CR=0.85, Cronbach's alpha/ $\alpha$ =0.90) was measured using four items (Al-Amin and Filho, 2011; Jamal and Naser, 2002; Kaura et al., 2015). The moderating variable 'Service Quality' (CR=0.94, Cronbach's alpha/ $\alpha$ =0.94) was measured using twenty-two items along five dimensions Jabnoun and Hassan Al-Tamimi (2003); Parasuraman and Grewal (2000), quality of tangibles, reliability of services, the responsiveness of bank employees, assurance, and empathy.

## 4 Results

### 4.1 Reliability and Validity Analysis

The appropriate pre-tested measures were used to minimize the likelihood of potential common method bias (Podsakoff et al., 2009). Statistically, there is no specific procedure to assess common method bias; each procedure has unique advantages and disadvantages. We used Harman's single factor test - a widely used procedure to examine the likelihood of common method bias in management and social science research (Cruz-Ros et al., 2021). The single factor extracted in this study explained a total variance of 42.67%, below the threshold of 50% (Podsakoff et al., 2009). Additionally, the Heterotrait-Monotrait (HTMT) ratios, below the recommended



value of 0.85, also established no multicollinearity and, thus, no problem of common method bias (Henseler and Schuberth, 2020; Kline, 2023). Table 1 shows the acceptable values of Cronbach's Alpha coefficient ( $0.81 < \alpha < 0.94$ ), composite reliability ( $0.88 < CR < 0.94$ ), and average variance extracted ( $0.61 < AVE < 0.69$ ) above the thresholds of 0.70, 0.70 Bhutta and Black (2019), and 0.50 Purwanto (2022), respectively. The AVE values for all variables were lower than respective reliability coefficients ( $\alpha$  and CR), indicating convergent validity of measures. Table 1 also shows the correlation matrix showing that the square roots of AVE for all variables were greater than their correlations with other variables. It established acceptable discriminant validity of all measures used in this study (Fornell and Larcker, 1981). HTMT0.85 ratios Henseler and Schuberth (2020); Kline (2023) also confirmed the discriminant validity.

Table 4.1: Reliability and Validity of Measures and Correlation between Variables

Variable	Items	Mean	SD	Reliability and Convergent validity			Discriminant validity and correlations			
				Alpha	CR	AVE	PV	SQ	CS	CL
PV	4	3.86	0.8	0.85	0.9	0.69	<b>0.83</b>			
SQ	21	3.79	0.7	0.94	0.9	0.61	0.78**	<b>0.78</b>		
CS	4	3.61	0.9	0.85	0.9	0.69	0.69**	0.67**	<b>0.83</b>	
CL	4	3.87	0.8	0.81	0.9	0.64	0.64**	0.68**	0.60**	<b>1</b>

Note: \*\* $p < 0.01$ , SD=Standard deviation, CR=Composite Reliability, AVE=Average variance explained, PV=Perceived value, SQ=Service quality, CS=Customer satisfaction, CL=Customer loyalty.

Table 4.2: Regression Outcomes

Variable	Customer Satisfaction			Customer Loyalty		
	B	se	t	B	se	t
<b>Model 1: Total Effect (H1)</b>						
Constant				1.54	0.17	8.83**
Perceived Value				0.61	0.04	13.69**
<b>Model 2: Mediation (H2)</b>						
Constant	0.71	0.19	3.79**	1.35	0.17	7.87**
Perceived Value	0.75	0.05	15.70**	0.41	0.06	6.95**
Customer Satisfaction				0.26	0.05	4.94**
<b>Model 3: Moderated-Mediation (H3)</b>						
Constant	3.54	0.04	82.85**	2.92	0.2	14.86**
Perceived Value (PV)	0.49	0.07	6.88**	0.41	0.06	6.95**
Service Quality (SQ)	0.51	0.09	5.68**			
PV x SQ	0.17	0.05	3.46**			
Customer Satisfaction (CS)				0.26	0.05	4.94**
R, R2, MSE	0.73, 0.54, 0.38			0.67, 0.45, 0.34		
F (df1, df2)	106.24 (3, 273)**			113.86 (2, 274)**		
Index of Moderated-Mediation:				0.04, 0.01 [0.01, 0.07]		
Service Quality, BootSE [LLCI, ULCI]						

Table 4.3: Total, Direct, Indirect, and Conditional Effects

Total Effect	Direct Effect	Indirect Effect	Moderator (Service Quality)	Conditional Effect of Focal Predictor (PVaCS)	Conditional Indirect Effect (PVaCSaCL)
0.61 [0.52, 0.69]**	0.41 [0.29, 0.52]**	0.2 [0.11, 0.30]**	-0.67	0.38 [0.23, 0.53]**	0.10 [0.04, 0.18]**
			0	0.49 [0.35, 0.63]**	0.13 [0.07, 0.21]**
			0.67	0.61 [0.44, 0.77]**	0.16 [0.09, 0.25]**

## 4.2 Hypotheses Testing

The multidimensional nature of service quality was examined using principal component analysis, which showed that all first-order constructs have sufficient factor weights explaining 71% variance in service quality. Table 2 shows the results of multiple regression analysis to test hypotheses 1 and 2, bootstrapped at 5000 samples, using process model 4 (Hayes and Rockwood, 2017). The results of the total effect (model 1) indicated that the perceived value positively and significantly predicted customer loyalty ( $\beta=0.61$ ,  $p<0.01$ ), supporting hypothesis 1.

The mediation process (model 2) showed that perceived value was significantly associated with customer satisfaction ( $\beta=0.75$ ,  $p<0.01$ ), which in turn significantly predicted customer loyalty ( $\beta=0.26$ ,  $p<0.1$ ). Thus, the significant indirect effect of perceived value (Effect=0.20) on customer loyalty via customer satisfaction supported hypothesis 2.

We used conditional process model 7 Hayes and Rockwood (2017) to test this hypothesis (Model 3, Table 2). The interaction term (perceived value  $\times$  service quality) significantly contributed to customer satisfaction ( $\beta=0.17$ ,  $p<0.01$ ). Table 3 shows that perceived value indicated a significant increase in conditional effects, valuing 0.38, 0.49, and 0.61 with increasing (low, average, and high) values of service quality, respectively. The conditional indirect effects of perceived value (0.10, 0.13, and 0.16) on customer loyalty via customer satisfaction also significantly increased with (low, average, and high) values of service quality. The index of moderated-mediation was also significant. Hence, hypothesis 3 was also supported.

## 5 Discussion

This study explored the complex relationships between customer perceived value, service quality, customer satisfaction, and customer loyalty in the banking industry. Our findings reveal a significant positive correlation between service quality and customer satisfaction, consistent with previous research (Kim and Tang, 2020). This study demonstrated that customer satisfaction is critical in building customer loyalty, emphasizing the need for banks to focus on value-added services that combine excellent service quality, perceived value, and brand loyalty. Banks can establish a positive customer experience to encourage enduring loyalty by prioritizing service quality (Evans and Wurster, 1997). This study highlights the importance of service quality in fostering client loyalty and satisfaction in the banking sector. It offers banks helpful advice on improving customer experience and loyalty programs, resulting in stronger bonds and a competitive advantage.

The rising demands of consumers for individualized, effective, and customized services have caused a significant upheaval in the banking sector in recent years (Kim and Tang, 2020). To



stay ahead of the competition curve, banks should emphasize delivering incomparable customer-perceived value as a key differentiator in a crowded market (Evans and Wurster, 1997). Consumers are now more aware and actively searching for the most outstanding deal; therefore, banks are under constant pressure to develop and improve their offerings (YuSheng and Ibrahim, 2019). This change toward value maximization stems from stakeholders' collaborative mindset, which promotes a customer-centric culture and pushes banks to embrace a customer-focused stance. Banks have an opportunity to differentiate themselves from the competition, create enduring client connections, and prosper in a market that is changing quickly by prioritizing customer-perceived value.

The perceptions and loyalties of customers are shaped by the brand experience, which is a complex and multidimensional construct with sensory, emotional, cognitive, and behavioral components (Brakus et al., 2009). This extensive brand experience significantly impacts customers' word-of-mouth (WOM) recommendations. It also affects their overall pleasure and perception of a company (Lee et al., 2014; Mitchell et al., 2021). Service quality plays an incredibly positive role in determining WOM intentions of customers by affecting their perceptions of a brand's reliability, responsiveness, and overall performance. Providing exceptional customer experiences is vital for building advocacy and loyalty in retail banking since customers' WOM recommendations are primarily shaped by their perceptions of the quality of banking services. By delivering outstanding experiences, banks can foster a loyal customer base that will advocate for their brand, driving business growth and competitiveness (Evans and Wurster, 1997). Banks may establish a favorable and enduring customer experience that fosters loyalty, retention, and sustained prosperity by prioritizing brand experience and service excellence.

Customers' WOM intentions are determined by the value they believe a brand offers, and these intentions directly impact how likely they are to suggest the business to others. Furthermore, loyalty mediates the relationships of brand experience, service quality, and perceived value with the WOM recommendations (Reichheld & Teal, 1996). Specifically, loyal customers are likelier to engage in WOM behavior, enthusiastically recommending retail banks to others, thereby driving brand advocacy and growth (Troiville, 2024; Upamannyu et al., 2023). By creating exceptional brand experiences, delivering high-quality services, and offering perceived value, retail banks can foster loyalty and encourage customers to become brand ambassadors, driving long-term success and growth.

Retail banks must prioritize investing in service quality, perceived value, and brand loyalty to build a loyal customer base and maintain a competitive edge in the market. By focusing on value-added services, businesses can create a loyal customer base and achieve long-term success (Ong et al., 2020). Other crucial factors, such as customer satisfaction, trust, and commitment, significantly influence WOM intentions. By unraveling the intricate connections between these variables, businesses can craft effective strategies to elevate customer experiences, cultivate loyalty, and propel growth. By putting customers at the forefront, banks can stand out in a crowded market, nurture meaningful relationships, and ultimately thrive in a dynamic and ever-changing landscape.

## 5.1 Implications for Theory and Practice

This study has far-reaching implications for both theory and practice. Results reinforce the importance of service quality (Agus et al., 2019; Ishaq, 2012; Özkan, 2022; Parasuraman and Grewal, 2000), and value perception Zeithaml and Parasuraman (2004) in nurturing customer loyalty. Researchers and practitioners can benefit from these findings to develop practical strate-

gies that enable sustained customer loyalty by understanding how these constructs interact and influence customer behavior.

Retail banks looking to maintain their competitive advantage and cultivate a loyal customer base could benefit from the detailed information the results provide. To achieve this, banks must prioritize exceptional customer service, perceived value, and brand loyalty. Additionally, they should emphasize improving customer experiences through personalized interactions, value-added services, and accelerated processes. This may mean implementing cutting-edge technology, training staff on providing excellent customer service, and introducing loyalty and rewards programs that recognize and reward loyal customers. By implementing these tactics, banks can differentiate themselves from their rivals, establish strong connections with their customers, and ultimately accelerate business growth. The findings also underscore the importance of regularly monitoring and evaluating customer satisfaction, trust, and commitment to pinpoint areas for improvement and maximize loyalty-building efforts. By harnessing customer feedback and survey data, banks can identify their strengths and weaknesses, make informed decisions, and allocate resources effectively. By adopting a customer-centric approach and prioritizing service quality, perceived value, and brand loyalty, banks can cultivate a loyal customer base, fuel business growth, and achieve long-term success in a rapidly changing market. By applying our study's insights, banks can stay ahead of the curve and achieve their goals in a competitive and dynamic industry.

## 5.2 Limitations and Directions for Future Research

It is essential to consider the study's limitations when evaluating the findings. This study gathered data from a small sample of people in a small geographic area. Larger, more varied sample sizes would benefit future studies by improving generalizability and capturing broader viewpoints. Customers who were accessed at places other than their worksites are more excited. On the other hand, people approached at work were less willing to engage because of time constraints. This implies that conducting the survey away from workplaces may make respondents feel at ease and give them more time to react, resulting in more accurate and trustworthy answers. To reach a larger audience and obtain more sincere and thoughtful responses, future research could investigate novel approaches to data gathering, such as smartphone apps or online questionnaires.

Future studies should also examine other elements that affect customer loyalty, such as corporate social responsibility programs, employee empathy, emotional intelligence, or the impact of digital banking services, to expand our understanding of this phenomenon. Future research can build on these findings and offer even more insightful information about the intricate linkages between service quality, perceived value, and customer loyalty in the banking sector by addressing the limitations of this study and investigating new research questions. Furthermore, experimental methods might be employed to evaluate the causal links between these variables, and longitudinal studies could be carried out to explore the long-term effects of perceived value and service quality on customer loyalty. Through the use of mixed approaches, quantitative and qualitative data are combined.

## 6 Conclusion

This study established that customer-perceived value influences customer loyalty through customer satisfaction in the banking sector. The service quality further amplifies this relationship by enhancing the impact of perceived value on customer satisfaction. Because they are satisfied with the service, customers who believe they are receiving a lot of value from their bank are more inclined to stick around. The results show that when customers rate the quality of banking services highly, they are more satisfied and loyal to their current bank. This suggests that the relationship between perceived value, customer satisfaction, and loyalty is reinforced when banks deliver exceptional service quality. Banks can foster a loyal customer base by prioritizing service excellence, driving retention, and achieving long-term success.

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